

## **Exhibit 3**

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**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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In re:	)	Case No. 12-12020 (MG)
	)	
RESIDENTIAL CAPITAL, LLC, <u>et al.</u> ,	)	Chapter 11
	)	
Debtors.	)	Jointly Administered
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**SUPPLEMENTAL DECLARATION OF FRANK SILLMAN IN SUPPORT  
OF DEBTORS' MOTION PURSUANT TO FED. R. BANKR. P. 9019 FOR  
APPROVAL OF THE RMBS TRUST SETTLEMENT AGREEMENTS**

I, Frank Sillman, being duly sworn, depose and say:

1. I serve as Managing Partner for Fortace, LLC ("Fortace")<sup>1</sup> an advisory and consulting firm to banks, mortgage companies, insurance companies, trustees and other investors. I am authorized to submit this Supplemental Declaration (the "Supplemental Declaration") on behalf of the Debtors in connection with their motion pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure for approval of RMBS Trust Settlement Agreements. This Supplemental Declaration

<sup>1</sup> Capitalized terms not otherwise defined herein are as defined in the Original Declaration, the Supplemental Declaration, in the RMBS Trust Settlement Agreement, or in the Governing Agreements for each of the Debtors' Trusts, or in the defined terms incorporated by reference therein.

reflects the Estimated Loan Loss work performed since my original declaration (“Original Declaration”) and I reserve the right to augment and refine the analysis as my work is ongoing.

2. Except as otherwise indicated, all statements in this Supplemental Declaration are based upon my review of the cash flow and Estimated Lifetime Loss model output, the relevant documents, my discussions with the Debtors and their professionals, and my personal knowledge and expert experience. If I were called upon to testify, I could and would testify to each of the facts set forth below.

### **INTRODUCTION**

3. As I discussed in my Original Declaration, the first step in estimating the range of potential repurchase liability for the Debtors (“Potential Repurchase Requirements”) is developing the potential cumulative lifetime loss ranges (“Estimated Lifetime Losses”) for the 392 Trusts included in the RMBS Trust Settlement (“Settlement Trusts”).

4. In my Original Declaration I discussed that there are variety of methods accepted in the financial services industry to estimate RMBS Trust lifetime losses. In my Original Declaration I utilized one of those methods, the Shelf Level Estimated Lifetime Loss methodology (“Shelf Level Model”), to develop the Estimated Lifetime Losses. For my first Supplemental Declaration filed on September 28, 2012 (“September 2012 Supplemental”), I utilized another of the accepted methods to supplement the Estimated Lifetime Loss model work I performed in my Original Declaration. For the September 2012 Supplemental, I employed the more granular and detailed Loan Level and Trust Level Estimated Lifetime Loss model (“Trust Level Model”) process for the Settlement Trusts. For this Supplemental Declaration, I again utilized the Trust Level Model and updated the assumptions and utilized January 2013 remittance data.

5. Illumination<sup>2</sup> LAPS model and Intex Model assumption requirements and discussion:

(a) Illumination Model assumptions:

- (i) The Illumination LAPS Model independently develops its Validated Settlement Trusts Assumptions for forecasting cash flows and estimated losses from actual historical performance of certain key data elements ("HIST PERF") from the Remit Data for each of the Settlement Trusts:
  - (a) Actual Trust Losses to date.
  - (b) Actual Severity Rates to date.
  - (c) Actual Constant Default Rates to date ("CDR") aka Roll Rates aka Frequency Rates.
  - (d) Actual Voluntary Constant Prepayment Rates ("VCPR").
  - (e) Actual Loan Level Payment Histories to date ("PAY HIST") aka Pay Strings.
- (ii) Additionally, I provided a few macro economic assumptions to Illumination for use in the Illumination Model based on industry available data and my expert experience in developing these assumptions:
  - (a) Forward Yield Curve from 2/05/13.
  - (b) The unemployment rate<sup>3</sup> utilized was 7.9% from January 2013. The unemployment rate was held constant for the life of the loans.
  - (c) The current Combined Loan To Value ("CLTV") was calculated using Corelogic<sup>4</sup> home price data as of October 2012. The model uses the zip code when available. If the zip code is not available, the model uses Metropolitan Statistical Area ("MSA") level or state level data. Once the CLTV is updated, it is varied over time based on our Forward Home Price Index assumptions described below.

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<sup>2</sup> Illumination Asset Management, LLC a SEC registered Investment Adviser, purchased the WestPat LAPS model in September 2012.

<sup>3</sup> U.S. Bureau of Labor Statistics.

<sup>4</sup> Corelogic Home Price Index is a leading measure of the U.S. residential housing market.

- (d) FICO scores - The model does not update Borrowers' FICO scores, the model utilizes the Borrowers' origination FICO scores.
  - (e) LP and Intex Remit Data reflect the RMBS Trusts' actual Losses to Date after applying any mortgage insurance claims paid to the Trusts. The LP and Intex Remit Data do not include any Monoline insurance claims paid to the Trustee for the benefit of the CertificateHolders.
  - (f) Forward Home Price Index ("HPI") for distressed home sales.
  - (g) The Illumination LAPS Model varies time to foreclosure by state. The Illumination Model utilized time to foreclosure history through March 2012.
- (b) Intex Model assumptions:
- (i) The Intex Model requires the user to develop and input assumptions into the model. I provided assumptions for use in the Intex Model based on industry available data and my expert experience in developing these assumptions:
    - (a) Forward Yield Curve from 2/5/13.
    - (b) VCPR – determined after reviewing each individual Settlement Trusts' 6 month, 12 month and monthly time series trends.
    - (c) CDR - determined after reviewing each individual Settlement Trusts' 6 month, 12 month and monthly time series trends.
    - (d) Severity Rates - determined after reviewing each individual Settlement Trusts' monthly time series Severity trends.

6. Forecasted Remaining Lifetime Losses - Determining the Forecasted

Remaining Lifetime Losses for the Settlement Trusts: I utilized both the Illumination and Intex cash flow models. The calculations are illustrated below:

			<b>Forecasted Remaining Lifetime Losses (in billions)</b>	
Model	Data Source	# of Trusts	Lower Range	Higher Range
Illumination	LP	355	\$9.7	\$11.2
Illumination	Intex	14	\$.1	\$.2
Intex	Intex	23	\$.7	\$.9
<b>Total</b>		<b>392</b>	<b>\$10.5</b>	<b>\$12.3</b>

7. Actual Losses to Date - Determining the Actual Losses to Date for the Settlement Trusts: I added the Actual Trust Losses to Date for the Settlement Trusts from both the LP and Intex Remit Data. The calculations are illustrated below:

<b>Actual Settlement Trust Losses to Date (in billions)</b>		
Data Source	# of Trusts	Actual Losses to Date
LP	355	\$28.9
Intex	14	\$1.6
Intex	23	\$2.2
<b>Total</b>	<b>392</b>	<b>\$32.7</b>

8. Total Estimated Lifetime Loss ranges – Determining the Total Estimated Lifetime Loss ranges for the Settlement Trusts: I added the Total Actual Trust Losses to Date for the Settlement Trusts to the Forecasted Remaining Lifetime Losses for the Settlement Trusts to determine the Total Estimated Lifetime Loss for both the lower and higher ranges for the Settlement Trusts. The calculations are illustrated below:

<b>LOWER RANGE (in billions)</b>					
Model	Data Source	# of Trusts	Actual Losses to Date	Forecasted Remaining Lifetime Losses	Total Estimated Lifetime Losses
Illumination	LP	355	\$28.9	\$9.7	\$38.6
Illumination	Intex	14	\$1.6	\$.1	\$1.7
Intex	Intex	23	\$2.2	\$.7	\$2.9
<b>Total</b>		<b>392</b>	<b>\$32.7</b>	<b>\$10.5</b>	<b>\$43.2</b>

<b>HIGHER RANGE (in billions)</b>					
Model	Data Source	# of Trusts	Actual Losses to Date	Forecasted Remaining Lifetime Losses	Total Estimated Lifetime Losses
Illumination	LP	355	\$28.9	\$11.2	\$40.1
Illumination	Intex	14	\$1.6	\$.2	\$1.8
Intex	Intex	23	\$2.2	\$.9	\$3.1
<b>Total</b>		<b>392</b>	<b>\$32.7</b>	<b>\$12.3</b>	<b>\$45.0</b>

9. The Total Estimated Lifetime Loss ranges determined in this Supplemental Declaration are similar to the Total Estimated Lifetime Loss ranges determined in my Original Declaration. See the comparison in the following charts:

	<b>Total Estimated Lifetime Losses (in billions)</b>		
	Orig. Decl.	Suppl. Decl.	Suppl. Decl.
	June 2012	Sept 2012	Feb 2013
Lower Range	\$45.6	\$43.5	\$43.2
Higher Range	\$49.8	\$46.8	\$45.0

Comparison of models by Shelf:

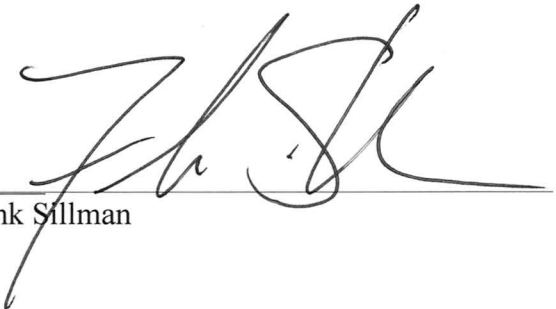
<b>Total Estimated Lifetime Losses (in billions)</b>						
Shelf	Lower Range			Higher Range		
	Orig. Decl.	Suppl. Decl.	Suppl. Decl.	Orig. Decl.	Suppl. Decl.	Suppl. Decl.
	June 2012	Sept 2012	Feb 2013	June 2012	Sept 2012	Feb 2013
GMACM	\$3.4	\$3.3	\$3.2	\$3.8	\$3.6	\$3.4
RAAC	\$2.1	\$1.9	\$1.9	\$2.2	\$2.2	\$2.0
RALI	\$16.1	\$15.7	\$15.5	\$17.8	\$17.1	\$16.3
RAMP	\$8.3	\$8.0	\$8.0	\$8.9	\$8.5	\$8.3
RASC	\$10.6	\$9.9	\$10.0	\$11.4	\$10.5	\$10.3
RFMSI	\$1.9	\$1.6	\$1.5	\$2.3	\$1.8	\$1.6
RFMSII	\$3.2	\$3.1	\$3.1	\$3.4	\$3.1	\$3.1
<b>Total Est. Lifetime Losses</b>	<b>\$45.6</b>	<b>\$43.5</b>	<b>\$43.2</b>	<b>\$49.8</b>	<b>\$46.8</b>	<b>\$45.0</b>

## CONCLUSION

10. In summary, for this Supplemental Declaration I updated the Estimated Lifetime Loss model ranges. This Trust Level Estimated Lifetime Loss model process is regularly

used by market participants and financial institutions to estimate their repurchase exposure, including estimates provided by financial institutions in their regulatory filings. Based on my updated analysis described above, both the lower and higher Estimated Lifetime Loss ranges for the Trust Level Model in my opinion, to a reasonable degree of certainty, supports the reasonableness of the proposed Allowed Claim of \$8.7 billion.

Dated: February 19, 2013



Frank Sillman